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INFO RUCNCIS/CIS COLLECTIVE
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION WASHINGTON DC
RUEHNO/USMISSION USNATO 0706

C O N F I D E N T I A L YEREVAN 000307

SIPDIS

E.O. 12958: DECL: 05/10/2019

TAGS: PGOV PHUM PREL EAID KDEM AM

SUBJECT: KOCHARIAN ON MCC: "THE BIGGEST BLUFF EVER"

REF: 08 YEREVAN 998

Classified By: AMB Marie L. Yovanovitch, reasons 1.4 (b,d).

¶1. (C) On May 8 the Ambassador called on ex-President Robert Kocharian to solicit his views on Armenia's recent joint statement with Turkey, and learn of his plans for Yerevan's upcoming May 31 municipal election that will decide the city's next mayor (septel). During the wide-ranging discussion, Kocharian also aired his views on the MCC program, sarcastically calling it "the biggest bluff ever."

¶2. (C) Kocharian railed that "there was lots of talk about this program helping Armenia when it started, but in the end it has given us nothing -- we shouldn't lie about it." Kocharian then groused that not a cent of MCC money was spent while he was president. (Comment: Kocharian's allegation is false. The MCC Compact was signed in late 2006 and initial funding was already disbursed and spent by the time Kocharian left office in April 2008. End Comment) Kocharian declared that he never believed in the program, "because its purpose and the way it is implemented play to two different tunes."

¶3. (C) The Ambassador strongly objected to Kocharian's views, and corrected him on the funding issue. The Ambassador then invited him to accompany her on site visits to MCC programs that are in train and visibly helping farmers and refurbishing Armenia's dilapidated agricultural canals. The Ambassador explained that the MCC Board decided in June 2008 to suspend the rural roads construction program because of its long-standing and well-communicated concerns over Armenia's setbacks in democracy and ruling justly. The Ambassador explained that MCC was a qualitatively different program than the traditional bilateral assistance provided to Armenia via USAID. The Ambassador reiterated that the United States had always been upfront with Armenia that MCC support was conditional on Armenia's authorities pursuing reforms.

¶4. (C) Kocharian bristled that "I cannot understand why the United States would freeze money for this program after the completion of the tender process, after three months of work on the roads," and "neither can I understand why our authorities would then use our own funds to resume road work in -- of all months -- last November" when the weather in Armenia becomes inclement. Kocharian groused that "we are being held hostage" and "the MCC is nothing but a club."

¶5. (C) The Ambassador underscored that the MCC is meant to be a carrot, not a stick, and that what has happened in Armenia -- the flawed 2008 elections, its violent fallout, and the MCC Board's decision to suspend the roads program -- could not have been foreseen at the inception of the program. Kocharian countered that as a result of this approach, "I think we have problems in our bilateral relations." He continued that "the MCC should not be used to politicize our elections," and that "the United States should not pressure anyone."

COMMENT

¶6. (C) Kocharian was never a fan of the MCC program, and he has always been irascible in expressing his views on the matter with the Embassy. It appears that even now, a year after leaving office, the ex-president still cannot stomach the fact that some assistance to Armenia actually comes with strings attached.

YOVANOVITCH